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# A BILL FOR AN ACT

RELATING TO HEALTH.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. Medicaid is a state program that provides  
2 health care to certain low-income individuals and families. The  
3 State sets the criteria for eligibility, determines the services  
4 that are available, and administers the program. As with all  
5 states, Hawaii's medicaid program is funded in large part by the  
6 federal government.

7           The legislature finds that medicaid operates in partnership  
8 with Hawaii's health care providers, as it does not directly  
9 employ health care practitioners, but rather, pays health care  
10 providers for services rendered to medicaid participants.

11           Prior to 1994, medicaid paid providers directly on a  
12 fee-for-services basis. In 1994, Hawaii implemented the QUEST  
13 program to provide health care to many medicaid participants  
14 through a managed care approach. Under QUEST, the State  
15 contracts with health care insurance plans to pay each plan a  
16 capitated amount for each participant. The health plans in turn  
17 pay the providers that deliver care to medicaid participants.



1           QUEST-Ex was implemented to provide care on a managed care  
2 basis to the medicaid aged, blind, and disabled population. The  
3 legislature finds that since QUEST-Ex began operating, health  
4 care providers have experienced many cases of delayed payments  
5 from health care plans contracting with the State. As a result  
6 of these delays, many providers have experienced severe  
7 financial difficulties that impact their ability to deliver  
8 quality care.

9           The "clean claims" law under section 431:13-108, Hawaii  
10 Revised Statutes, requires health plans to pay providers on a  
11 timely basis when uncontested claims are submitted.  
12 Specifically, the law requires payments to be made within thirty  
13 days for clean claims submitted in writing, and within fifteen  
14 days for clean claims submitted electronically. However, the  
15 law contains an exemption for medicaid. As a result, health  
16 plans contracted by the State under medicaid may delay payments  
17 without penalty while health care providers are left to suffer.

18           The purpose of this Act is to repeal the exemption from the  
19 clean claims law for health plans contracting with the State  
20 under medicaid and to require the State to pay interest on  
21 delayed payments, unless certain circumstances apply, and to  
22 address the Medicaid shortfall with funds from the hurricane



1 reserve trust fund matched federally by the American Recovery  
2 and Reinvestment Act.

3 SECTION 2. Chapter 103F, Hawaii Revised Statutes, is  
4 amended by adding a new section to be appropriately designated  
5 and to read as follows:

6 "§103F- Medicaid payments. (a) The State shall pay a  
7 health plan with which it has contracted under the State's  
8 medicaid program according to the terms of the contract, or in  
9 the absence of contracted language regarding timeliness of  
10 payments, within the first fifteen days of each month but no  
11 later than the last day of each month. If circumstances prevent  
12 the State from complying with this section, the State shall pay  
13 the health plan interest on any amounts remaining unpaid at a  
14 rate equal to fifteen per cent per year, commencing on the day  
15 after payment is due and ending on the date of payment.

16 (b) This section shall not apply in those cases where a  
17 delay in payment is due to:

18 (1) A bona fide dispute between the State or any county  
19 and the contracting health plan concerning the  
20 services or goods contracted for;

21 (2) A labor dispute;

22 (3) A power or mechanical failure;



1       (4) Fire; or

2       (5) Acts of God.

3       (c) Accrual of interest shall be suspended automatically  
4 if the entity's failure to pay a claim within the applicable  
5 time limitations is the result of late payment to the entity by  
6 the state or federal government for services provided to  
7 beneficiaries of a government program."

8       SECTION 3. Chapter 346, Hawaii Revised Statutes, is  
9 amended by adding a new section to be appropriately designated  
10 and to read as follows:

11       "§346-    **Medicaid payments.**   (a) The State shall pay a  
12 health plan with which it has contracted under the State's  
13 medicaid program according to the terms of the contract, or in  
14 the absence of contracted language regarding timeliness of  
15 payments, within the first fifteen days of each month but no  
16 later than the last day of each month. If circumstances prevent  
17 the State from complying with this section, the State shall pay  
18 the health plan interest on any amounts remaining unpaid at a  
19 rate equal to fifteen per cent per year, commencing on the day  
20 after payment is due and ending on the date of payment.

21       (b) This section shall not apply in those cases where a  
22 delay in payment is due to:







1 coverage to Compact of Free Association migrants, and addressing  
2 the increase in medicaid enrollment.

3 In addition to the appropriation authorized in this  
4 section, the department of human services is authorized to  
5 expend up to \$ or so much thereof as may be necessary  
6 for fiscal year 2010-2011 in matching federal funds for the  
7 purposes of this section acquired through the American Recovery  
8 and Reinvestment Act. Should the federal government extend the  
9 enhanced FMAP funds, the department of human services is  
10 authorized to expend \$ appropriated from the hurricane  
11 reserve trust fund and \$ in matching federal funds  
12 provided through the American Recovery and Reinvestment Act.

13 SECTION 6. The sum appropriated shall be expended by the  
14 department of human services for the purposes of this Act.

15 SECTION 7. Statutory material to be repealed is bracketed  
16 and stricken. New statutory material is underscored.

17 SECTION 8. This Act shall take effect on July 1, 2050.

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**Report Title:**

Medicaid; Health Insurance; Payment

**Description:**

Requires health insurers to promptly pay claims for services to medicaid recipients, by repealing the exemption for medicaid claims from the clean claims law. Requires the State to pay interest on delayed payments. Authorizes expenditures from the hurricane reserve trust fund and matching American Recovery and Reinvestment Act funds. Takes effect July 1, 2050. (SD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

